OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Marlys Gaston
515/281-5834

FOR RELEASE October 18, 2019

Auditor of State Rob Sand today released an audit report on the Council Bluffs Airport Authority, Council Bluffs, Iowa.

FINANCIAL HIGHLIGHTS:

The Authority's revenues totaled $1,264,623 for the year ended June 30, 2019, a 28.1% decrease from the prior year. Expenses for the year ended June 30, 2019 totaled $1,387,341, a 1.23% decrease from the prior year. The significant decrease in receipts is due primarily to a decrease in federal grants due to the completion of projects.

AUDIT FINDINGS:

Sand reported one finding related to the receipt and disbursement of taxpayer funds. This finding can be found on page 32 of this report. The finding addresses an issue with the Authority's depository resolution. Sand provided the City with a recommendation to address the finding.

The Authority has a fiduciary responsibility to provide oversight of the Authority's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at https://auditor.iowa.gov/audit-reports.

# # #

COUNCIL BLUFFS AIRPORT AUTHORITY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2019

1933-0051-B000

Council Bluffs Airport Authority

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Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

October 1, 2019

Officials of the Council Bluffs Airport Authority
Council Bluffs, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Council Bluffs Airport Authority for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Council Bluffs Airport Authority throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

Rob Sand
Auditor of State

Table of Contents

Council Bluffs Airport Authority

Officials

Name	Title	Term Expires
Scott Hartman	Chairman	Mar 2021
Rick Crowl	Vice Chairman	Mar 2023
Jeanette M. Aldredge	Secretary/Treasurer	Mar 2021
Steve Dermody	Member	Mar 2021
Deanna Boese	Member	Mar 2023
Brad Knott	Member	Mar 2023
Patti McAtee	Member	Mar 2023
Andrew Biller	Executive Director	Indefinite

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Independent Auditor's Report

To the Members of the Council Bluffs Airport Authority:

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows, of the Council Bluffs Airport Authority as of and for the years ended June 30, 2019 and 2018, and the related Notes to Financial Statements which collectively comprise the Authority's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council Bluffs Airport Authority as of June 30, 2019 and June 30, 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis which U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such omitted information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

U.S. generally accepted accounting principles require the Schedule of the Authority's Proportionate Share of the Net Pension Liability and the Schedule of Authority Contributions on pages 25 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2019 on our consideration of the Council Bluffs Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council Bluffs Airport Authority's internal control over financial reporting and compliance.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

October 1, 2019

Council Bluffs Airport Authority

Basic Financial Statements

Council Bluffs Airport Authority

Statement of Net Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 1,204,280	960,707
Receivables:		
Accounts	3,865	4,630
Hangar rent	-	1,119
Due from other governments:		
Federal Aviation Administration	14,367	109,339
Iowa Department of Transportation	107,001	93,422
Prepaid expense	7,521	34,021
Total current assets	1,337,034	1,203,238
Noncurrent assets:		
Capital assets, net of accumulated depreciation	22,559,832	23,068,054
Total assets	23,896,866	24,271,292
Deferred Outflows of Resources		
Pension related deferred outflows	39,959	50,176
Liabilities		
Current liabilities:		
Accounts payable	97,627	118,770
Accrued interest payable	1,689	2,009
Payroll tax payable	8,457	10,223
Unearned hangar rent	12,607	6,612
Current portion of:		
Notes payable	235,000	230,000
Total current liabilities	355,380	367,614
Noncurrent liabilities:		
Net pension liability	140,727	176,311
Notes payable	980,000	1,215,000
Total noncurrent liabilities	1,120,727	1,391,311
Total liabilities	1,476,107	1,758,925
Deferred Inflows of Resources		
Pension related deferred inflows	32,213	11,320
Net position		
Net investment in capital assets	21,344,832	21,623,054
Unrestricted	1,083,673	928,169
Total net position	$ 22,428,505	22,551,223

See notes to financial statements.

Council Bluffs Airport Authority

Statement of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Land rent	$ 131,543	120,352
Hangar rent	198,694	188,888
Other revenues	72,411	57,585
Total operating revenues	402,648	366,825
Operating expenses:		
Salaries	190,509	178,682
Depreciation	902,276	893,394
FICA	14,534	13,600
IPERS	12,892	22,738
Advertising	1,311	-
Dues	545	670
Fuel	10,561	7,229
Insurance	64,007	66,834
Internet and website	1,267	555
License and subscriptions	3,414	4,364
Meetings	400	32
Office	2,279	2,689
Postage and freight	318	506
Professional fees	58,430	89,457
Radio and telephone	4,616	4,626
Buildings and grounds maintenance and repair	14,919	8,375
Equipment repair	9,902	6,214
Hangar repair	3,958	1,098
Runway repair	4,371	17,954
Trash hauling	1,548	1,395
Travel and training	2,582	1,825
Utilities	45,086	42,901
Miscellaneous	8,699	10,454
Total operating expenses	1,358,424	1,375,592
Operating loss	(955,776)	(1,008,767)
Non-operating revenues (expenses):		
Property tax	702,922	712,278
Interest income	774	487
Federal grants	51,278	523,009
Other grant revenue	107,001	94,422
Contributions from other governments	-	61,062
Interest expense	(24,968)	(29,023)
Gain (loss) on sale of assets	(3,949)	39,500
Net non-operating revenues	833,058	1,401,735
Change in net position	(122,718)	392,968
Net position beginning of year	22,551,223	22,158,255
Net position end of year	$ 22,428,505	22,551,223

See notes to financial statements.

Council Bluffs Airport Authority

Council Bluffs Airport Authority

Statement of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from rent	$ 337,351	311,097
Cash received from other revenues	73,176	56,746
Cash paid to suppliers for goods and services	(243,148)	(270,482)
Cash paid to employees for services	(224,175)	(207,030)
Net cash used for operating activities	(56,796)	(109,669)
Cash flows from noncapital financing activities:		
Cash received from property tax	702,922	722,998
Cash flows from capital and related financing activities:		
Federal grants received	132,671	539,003
Received from other governments	107,001	155,484
Proceeds from sale of capital assets	-	39,500
Loan proceeds	-	100,000
Acquisition of capital assets	(387,711)	(688,993)
Principal paid on loans	(230,000)	(325,000)
Interest paid on loans	(25,288)	(29,225)
Principal paid on capital lease purchase agreement	-	(1,381)
Interest paid on capital lease purchase agreement	-	(111)
Net cash used for capital and related financing activities	(403,327)	(210,723)
Cash flows from investing activities:		
Interest received	774	487
Net increase in cash and cash equivalents	243,573	403,093
Cash and cash equivalents beginning of year	960,707	557,614
Cash and cash equivalents end of year	$ 1,204,280	960,707
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (955,776)	(1,008,767)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	902,276	893,394
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,884	(1,954)
(Increase) decrease in prepaid expense	26,500	(33,393)
Increase (decrease) in accounts payable	(31,435)	30,089
Increase (decrease) in payroll tax payable	(1,766)	177
Increase in unearned hangar rent	5,995	2,972
Increase (decrease) in net pension liability	(35,584)	12,622
(Increase) decrease in deferred outflows of resources	10,217	(3,462)
Increase (decrease) in deferred inflows of resources	20,893	(1,347)
Total adjustments	898,980	899,098
Net cash used for operating activities	$ (56,796)	(109,669)

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The Council Bluffs Airport Authority, a political subdivision of the State of Iowa, was formed in 1995 pursuant to the provisions of Chapter 330A of the Code of Iowa. The Authority provides and maintains airport facilities for the City of Council Bluffs, Iowa.

The Authority is a component unit of the City of Council Bluffs. The accompanying financial statements include only the activity of the Authority. Financial statements for the City of Council Bluffs can be obtained from the City.

A. Reporting Entity

For financial reporting purposes, the Council Bluffs Airport Authority has included all funds, organizations, agencies, boards, commissions and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority. The Council Bluffs Airport Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Council Bluffs Airport Authority are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Statement of Net Position presents the Council Bluffs Airport Authority's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Unrestricted net position consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. All revenues, including property tax, and all expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents – The Authority considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Authority as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of five years.

Asset Class		Amount
Land, buildings and improvements	$	5,000
Equipment and vehicles		1,000

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	5 - 50
Equipment and vehicles	5 - 30

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Authority after the measurement date but before the end of the Authority's reporting period.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

(2) Cash and Cash Equivalents

The Authority's deposits in banks at June 30, 2019 and 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to ensure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Authority; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Capital Assets

Capital assets activity for the year ended June 20, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 2,192,064	-	-	2,192,064
Construction in progress	721,484	340,535	954,454	107,565
Total capital assets not being depreciated	2,913,548	340,535	954,454	2,299,629
Capital assets being depreciated:				
Buildings	7,604,784	6,162	8,135	7,602,811
Improvements other than buildings	21,144,114	996,878	-	22,140,992
Equipment and vehicles	388,090	8,882	41,574	355,398
Total capital assets being depreciated	29,136,988	1,011,922	49,709	30,099,201
Less accumulated depreciation for:				
Buildings	2,418,319	182,914	4,186	2,597,047
Improvement other than buildings	6,355,473	684,011	-	7,039,484
Equipment and vehicles	208,690	35,351	41,574	202,467
Total accumulated depreciation	8,982,482	902,276	45,760	9,838,998
Total capital assets being depreciated, net	20,154,506	109,646	3,949	20,260,203
Total capital assets, net	$ 23,068,054	450,181	958,403	22,559,832
Total depreciation expense				$ 902,276

Capital assets activity for the year ended June 20, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 2,192,064	-	-	2,192,064
Construction in progress	175,843	683,916	138,275	721,484
Total capital assets not being depreciated	2,367,907	683,916	138,275	2,913,548
Capital assets being depreciated:				
Buildings	7,603,576	1,208	-	7,604,784
Improvements other than buildings	21,005,839	138,275	-	21,144,114
Equipment and vehicles	427,377	63,076	102,363	388,090
Total capital assets being depreciated	29,036,792	202,559	102,363	29,136,988
Less accumulated depreciation for:				
Buildings	2,235,729	182,590	-	2,418,319
Improvements other than buildings	5,679,280	676,193	-	6,355,473
Equipment and vehicles	276,442	34,611	102,363	208,690
Total accumulated depreciation	8,191,451	893,394	102,363	8,982,482
Total capital assets being depreciated, net	20,845,341	(690,835)	-	20,154,506
Total capital assets, net	$ 23,213,248	(6,919)	138,275	23,068,054
Total depreciation expense				$ 893,394

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Loan agreements	$ 1,445,000	-	230,000	1,215,000	235,000
Net pension liability	176,311	-	35,584	140,727	-
Total	$ 1,621,311	-	265,584	1,355,727	235,000

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital lease purchase agreement	$ 1,381	-	1,381	-	-
Bank loan	-	100,000	100,000	-	-
Loan agreements	1,670,000	-	225,000	1,445,000	230,000
Net pension liability	163,689	12,622	-	176,311	-
Total	$ 1,835,070	112,622	326,381	1,621,311	230,000

Loan Agreements

On April 28, 2016, the Authority entered into a $1,790,000 loan agreement with the City of Council Bluffs with an interest rate of 1.75% per annum for a current refunding of $1,790,000 of series 2006B revenue bonds dated June 1, 2006.

A summary of the annual principal and interest requirements to maturity at June 30, 2019 is as follows:

Year ending June 30,	Principal	Interest	Total
2020	$ 235,000	21,263	256,263
2021	240,000	17,150	257,150
2022	245,000	12,950	257,950
2023	245,000	8,662	253,662
2024	250,000	4,375	254,375
Total	$ 1,215,000	64,400	1,279,400

A summary of the annual principal and interest requirements to maturity at June 30, 2018 is as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 230,000	25,287	255,287
2020	235,000	21,263	256,263
2021	240,000	17,150	257,150
2022	245,000	12,950	257,950
2023-2024	495,000	13,037	508,037
Total	$ 1,445,000	89,687	1,534,687

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Authority, except those covered by another retirement system. Employees of the Authority are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2019 and 2018, pursuant to the required rate, Regular members contributed 6.29%, and 5.95%, respectively, of covered payroll and the Authority contributed 9.44%, and 8.93%, respectively, of covered payroll for a total rate of 15.73%, and 14.88%, respectively.

The Authority's contributions to IPERS for the years ended June 30, 2019 and 2018 were $17,366 and $14,925, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the Authority reported a liability of $140,727 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the Authority's proportion was 0.002224%, which was a decrease of 0.000423% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of $12,892. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 772	3,181
Changes of assumptions	20,076	-
Net difference between projected and actual earnings on IPERS investments	-	3,867
Changes in proportion and differences between Authority contributions and the Authority's proportionate share of contributions	1,745	25,165
Authority contributions subsequent to the measurement date	17,366	-
Total	$ 39,959	32,213

$17,366 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Total
2020	$ 2,908
2021	(1,084)
2022	(5,614)
2023	(4,449)
2024	(1,381)
Total	$ (9,620)

There were no non-employer contributing entities to IPERS.

<u>Actuarial Assumptions</u> – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	$ 238,842	140,727	58,423

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2019, the Authority reported payables to IPERS of $1,338 for legally required Authority contributions and $918 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(6) Risk Management

The Authority is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. The Authority only uses the Pool for property coverage. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Authority's property contributions to the Pool are recorded as expenditures from its operating fund at the time of payment to the Pool. The Authority's contributions to the Pool for the year ended June 30, 2019 were $13,219.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Authority's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Authority does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the Authority's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Authority also carries commercial insurance purchased from other insurers for coverage associated with torts; thefts; errors and omissions; employee dishonesty and $1,000,000 in workers compensation coverage. The Authority assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Contract Commitment

On September 20, 2017, the Authority entered into a contract for $889,900 with Seneca Companies, Inc. for the construction of a fuel farm. There has been one change order totaling $4,252 issued subsequent to the original contract date, bringing the adjusted contract to $894,152. The project is funded through grants from the Federal Aviation Authority and the Iowa Department of Transportation. As of June 30, 2019, $789,655 had been expended on the project, leaving a remaining balance of $104,497.

Council Bluffs Airport Authority

Required Supplementary Information

Council Bluffs Airport Authority

Council Bluffs Airport Authority

Schedule of the Authority's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Five Years*

Required Supplementary Information

	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.002224%	0.002647%	0.002601%	0.002787%	0.002901%
Authority's proportionate share of the net pension liability	$ 140,727	176,311	163,689	138,533	117,401
Authority's covered payroll	$ 167,139	197,571	186,658	192,102	193,718
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	84.20%	89.24%	87.69%	72.11%	60.60%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Council Bluffs Airport Authority

Schedule of Authority Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	$ 17,366	14,925	17,643	16,669
Contributions in relation to the statutorily required contribution	(17,366)	(14,925)	(17,643)	(16,669)
Contribution deficiency (excess)	$ -	-	-	-
Authority's covered payroll	$ 183,957	167,139	197,571	186,658
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
17,155	17,298	15,851	16,152	12,680	10,096
(17,155)	(17,298)	(15,851)	(16,152)	(12,680)	(10,096)
-	-	-	-	-	-
192,102	193,718	182,826	200,149	182,446	151,820
8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

Council Bluffs Airport Authority

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of the Council Bluffs Airport Authority:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Council Bluffs Airport Authority as of and for the year ended June 30, 2019, and the related Notes to Financial Statements which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council Bluffs Airport Authority's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council Bluffs Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council Bluffs Airport Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Council Bluffs Airport Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council Bluffs Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Authority's Response to the Finding

The Council Bluffs Airport Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express not opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Council Bluffs Airport Authority during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

October 1, 2019

Council Bluffs Airport Authority

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(2) Travel Expenses – No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

(3) Authority Minutes – No transactions were found that we believe should have been approved in the Authority minutes but were not.

(4) Deposits and Investments – Except as noted, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and12C of the Code of Iowa and the Authority's investment policy were noted, except as follows:

A resolution naming official depositories has been adopted by the Authority. However, the maximum deposit amount was exceeded.

Recommendation – The Authority should review the depository resolution amount and ensure the maximum amounts allowed are sufficient.

Response – The Board will issue a new resolution raising the limit to $5,000,000.

Conclusion – Response accepted.

Council Bluffs Airport Authority

Staff

This audit was performed by:

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